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| --- | --- | --- |
| **Client:** | **$(client)** | |
| **Period end date:** | **$(start) - $(end)** | |
| **EGA title:** | \*Entity’s Use of Service Organization | |
| **Ref. no.:** |  | |
| **Prepared by:** | $(user) | **Date:** |
| **Approved by Manager:** |  | **Date:** |
| **Approved by Partner:** |  | **Date:** |

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| **Procedures performed** | **Links** | **Ref. no.** |
| 1. The engagement team determined whether a service organization was used by the entity to provide services that are part of entity’s information system relevant to financial reporting. | [**Planning Memorandum.docx**](../4%20Planning%20Process/Planning%20Memorandum.docx) |  |
| 1. When obtaining an understanding of the entity, the engagement team obtained an understanding of how the entity uses the service organization, including:    1. The nature of the services provided by the service organization and the significance of those services to the entity, including the effect thereof on the entity’s internal control;    2. The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organization;    3. The degree of interaction between the activities of the service organization and those of the entity; and    4. The nature of the relationship between the entity and the service organization, including the relevant contractual terms for the activities undertaken by the service organization. | [**Other Specific Considerations.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/17-20%20Other%20Specific%20Considerations/Other%20Specific%20Considerations.docx) |  |
| 1. When understanding and evaluating internal control relevant to the audit, the engagement team evaluated the design and implementation of relevant controls at the entity that relate to the services provided by the service organization, including those that are applied to the transactions processed by the service organization. |
| 1. The engagement team determined whether it was able to obtain sufficient understanding from the entity, and if not, the engagement team obtained that understanding from one or more of the following procedures:    1. Obtained a type 1 or type 2 report, if available;    2. Contacted the service organization, through the entity, to obtain specific information;    3. Visited the service organization and performing procedures; or    4. Used another auditor to perform such procedures. |
| 1. In case the engagement team planned to use a type 1 or type 2 report to support the engagement team’s understanding about the design and implementation of controls at the service organization, the engagement team:    1. Evaluated whether the description and design of controls at the service organization is at a date or for a period that is appropriate for the engagement team’s purposes;    2. Evaluated the sufficiency and appropriateness of the evidence provided by the report for the understanding of the entity’s internal control by considering the following:       1. The service auditor’s professional competence and independence from the service organization; and       2. The adequacy of the standards under which the type 1 or type 2 report was issued; and    3. Determined whether complementary entity controls identified by the service organization are relevant to the entity and, if so, whether the entity has designed and implemented such controls. |
| 1. The engagement team determined whether a sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the entity’s internal control has been obtained to provide a basis for the identification and assessment of risks of material misstatement. |
| 1. The engagement team planned its response to assessed risks as follows:    1. Determining whether sufficient appropriate audit evidence concerning the relevant financial statement assertions is available from records held at the entity; and, if not,    2. Performing further audit procedures to obtain sufficient appropriate audit evidence or use another auditor to perform those procedures at the service organization.       1. If the engagement team planned to rely on the controls at the service organization, it planned to obtain audit evidence about the operating effectiveness of the controls from one or more of the following procedures:          1. Obtaining a type 2 report, if available;          2. Performing appropriate tests controls at the service organization; or          3. Using another auditor to perform such tests of controls.       2. If the engagement team planned to use a type 2 report as audit evidence to support that controls at the service organization are operating effectively, the engagement team planned to:          1. Evaluate whether the description, design and operating effectiveness of controls at the service organization is at a date or for a period that is appropriate for the engagement team’s purposes;          2. Determine whether complementary entity controls identified by the service organization are relevant to the entity and, if so, whether the entity has designed and implemented such controls and, if so, test their operating effectiveness;          3. Evaluate the adequacy of the time period covered by the tests of controls and the time elapsed since the performance of the tests of controls; and          4. Evaluate whether the tests of controls performed by the service auditor and the results thereof, as described in the service auditor’s report, are relevant to the assertions in the entity’s financial statements and provide sufficient appropriate audit evidence to support the engagement team’s risk assessment.       3. The engagement team inquired of management of its knowledge of any fraud, non-compliance with laws and regulations, and uncorrected misstatements in relation to activities at the service organization that may affect the financial statements. The engagement team evaluated the effect of such matters on the nature, timing and extent of further audit procedures, including any reporting implications. |
| 1. The engagement team appropriately documented matters related to the entity’s use of a service organization. |
| 1. The engagement team recognized that it shall consider the following reporting implications:    1. Modify the opinion in the auditor’s report if sufficient appropriate audit evidence regarding the services provided by the service organization cannot be obtained.    2. Not refer to the work of a service auditor in the auditor’s report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, auditor’s report shall indicate that the reference does not reduce the auditor’s responsibility for the auditor’s opinion. Moreover, if reference to the work of a service auditor is made in the auditor’s report because such reference is relevant to an understanding of a modification to the auditor’s opinion, auditor’s report shall indicate that such reference does not reduce the auditor’s responsibility for that opinion. |